

Tax Rate Ceiling

School districts must prepare a number of calculations and estimate tax rates in the spring at budget time. The actual tax rates will be computed later in the summer and filed with the State Auditor's Office (SAO) and the respective county clerks. The actual tax rates must be filed annually with the county clerks prior to September 1.

A school district must always begin by computing its tax rate ceiling on forms provided by the SAO. The SAO forms outline the calculations to ensure levies are made to be in compliance with Article X, Section 22, of the Missouri Constitution (Hancock limit) and Section 137.073, RSMo, (statutory limit). The tax rate ceiling is the maximum rate for *operating* funds (all funds but the Debt Service Fund) approved by the SAO for the current year prior to any adjustment for a Proposition C rollback, voluntary rollback, or a recoupment levy. A separate set of SAO forms will be completed if a district has a temporary levy (a levy with a sunset provision). A sample SAO Tax Rate Summary Page is located in the Appendix, Section N.

Debt Service Fund

Another tax rate calculation made on SAO Form C is the determination of the maximum rate for debt service purposes.

In establishing the maximum debt service levy, the calculation takes into account a district's bond payments, allowable reserves, fund balances, and state assessed revenues coming into the fund. A district may choose to levy less than the maximum calculated levy.

State Auditor's Office Approval

Since the legislative session each year ends at 6 p.m. on the first Friday after the second Monday in May, forms from the SAO are usually mailed to school districts in June. The Consumer Price Index (CPI) used in the tax rate computations is to be the most recent 12-month figure available on June 1. Therefore, the State Tax Commission certifies the rate for the year using the April-to-April (12 month) data, which becomes available in mid-May.

The county assessor has until May 31 each year to establish the assessed valuation of property in the county. Following the closing of the assessor's books on May 31, the information is turned over to the county clerk to notify political subdivisions (including school districts) of the types and amounts of assessed valuation in the county. Pursuant to Section 137.245, RSMo, the county clerk is to provide the assessed valuation notification by July 1.

In order for the school district to complete the calculation of the tax rate ceiling for operating funds, the school district needs the following data (from the identified sources):

- locally assessed real property for the prior year and for the current year (county clerk)
- locally assessed personal property for the prior year and for the current year (county clerk)
- total locally assessed valuation for the prior year and for the current year (county clerk)
- assessed valuation of new construction and improvements for real property only (county clerk)
- assessed valuation of property in newly added territory (county clerk)
- assessed valuation of property in newly separated territory (county clerk)
- assessed valuation of property locally assessed in the prior year but state assessed in the current year (county clerk)
- maximum prior year revenue from state assessed property before sales tax reduction (estimate from School Finance Section, DESE)
- estimated current year revenue from state assessed property before sales tax reduction (estimated by the school district in collaboration with other school districts in the county)

After the school district has completed the necessary forms for the SAO, the forms are sent to the county clerks to be forwarded to the SAO for review. Once the forms have been approved, the SAO sends a written letter to the respective county clerks for the school district and the county clerks, in turn, forward a copy of the letter to the school district. The approved tax rate ceiling (operations) is used by the school district as its beginning point for setting its levy and calculating its Proposition C (sales tax) rollback (if any).

Voluntary Rollback

The amount of tax rate ceiling (operating funds—General (Incidental), Special Revenue (Teachers), and Capital Projects Funds) that the district does not intend to levy for the current year is called a voluntary rollback. A voluntary rollback is subtracted from the tax rate ceiling resulting in the Unadjusted Operating Funds Levy (the levy prior to any Proposition C rollback).

Any school district seeking an increase in its tax rate ceiling or any tax levy increase through the Proposition C waiver for inclusion on the tax books for the current calendar (tax) year must vote the issue before September 1 of that same year.

A school district should determine its Proposition C rollback (if any) and then decide if any voluntary rollback is desired. Voluntary rollbacks are subtracted from the tax rate ceiling first and then the Proposition C rollback is subtracted when completing the final levy forms: Estimate of Required Local Taxes and District Tax Data on screen 6 and 6A of the August Core Data Collection Cycle.

Proposition C Rollback (School District Trust Fund)

The purpose for this procedure is to establish the adjusted property tax rate for school purposes to compensate for the sales tax revenue generated by Proposition C (Section 164.013, RSMo). This calculation should be performed by the school district official using the District Tax Reduction Worksheet (see Section N, [Appendix](#) for a sample District Tax Reduction Worksheet). The Proposition C rollback is the difference between the unadjusted and adjusted operating rates for school purposes (General (Incidental) and Special Revenue (Teachers) Funds) in the current year. School districts may obtain voter approval to waive all or a portion of the required Proposition C rollback. Districts with a full waiver are not required to complete the District Tax Reduction Worksheet. The unadjusted and adjusted levies for a district with a full waiver will be the same figure (the actual rate being levied).

Debt Service Voluntary Rollback

If a district does not levy the maximum rate computed for debt service, the difference between the maximum rate computed and the actual rate levied is considered a voluntary rollback (i.e., the district chose to levy less than the maximum allowable). This voluntary rollback is subtracted from the SAO debt service maximum resulting in the Unadjusted Debt Service Fund levy. The Unadjusted and Adjusted Debt Service Fund levies are always the same. No Proposition C rollback may occur in the Debt Service Fund.

Estimate of Required Local Taxes

The **Estimate of Required Local Taxes** establishes the tax rate by fund to be extended onto the tax books for the calendar year. One form is sent to each county clerk where a school district has assessed valuation. The form must be filed on or before September 1 each year in order for a school district to have a tax levy for that fiscal year. In addition to other summary information filed on the form for the county, the unadjusted and adjusted levies by fund are reported on the form. The unadjusted levy is the tax rate ceiling (including any authorized recoupment levy) minus any voluntary rollback plus the debt service levy minus any voluntary rollback. The adjusted levy is the levy after the Proposition C rollback has been made (in the appropriate school purposes funds) plus the debt service levy.

District Tax Data

The **District Tax Data** is collected by DESE on Screens 6 and 6A for the August Core Data Collection Cycle. The information is used by the School Finance Section to calculate the school district's current year apportionment of Basic Formula and Line 14 (Free & Reduced Lunch) monies and to check for Proposition C rollback compliance. Screen 6 should reflect the same unadjusted and adjusted levies by fund as filed with the county clerk(s) on the **Estimate of Required Local Taxes**. In the appropriate areas of Screen 6, the tax rate ceiling and debt service fund maximum as approved by the SAO should be entered. Voluntary rollbacks for operations and for the Debt Service Fund are also recorded. In addition, the Proposition C rollback will be included on the screen.

Each year instructions in the **Core Data Collection System Manual** should be read carefully before completing screens 6 and 6A. As legislative changes from the prior spring may affect data collected, new information regarding collections will be explained in the instructions. The assessed valuation of real and personal property by county on Screen 6A should reflect the assessed valuation used by the school district at the time it calculated its SAO ceiling and Proposition C rollback.

Recoupment of Revenue Loss Due to Assessed Valuation Changes

If a school district was not able to recoup revenue losses in its tax rate ceiling for operating funds for the following blanket changes, then the school district **may** be entitled to recoup the lost revenue through line 1c of the **District Tax Reduction Worksheet (Prop C rollback)**:

- blanket changes in real/agricultural property (1986)
- blanket changes in personal/farm machinery and livestock property (1988)
- blanket changes in real/commercial property reclassification to real/residential property (1995)

Historical information for calculating each of these recoupments, if any, is found on Screens 6 and 6A of the August Core Data Collection Cycle. A school district should review this information carefully to determine if it is entitled to make adjustments to line 1c of the District Tax Reduction Worksheet (Prop C rollback worksheet).

Calculating Real Property Loss Recoupment

When calculating the amount of decrease in *real* property assessed valuation due to blanket agricultural changes, the December 31, 1986, *real* property assessed valuation as provided on Screen 6A is used as the benchmark. The difference in 1986 real property and the current year real property, divided by 100, and multiplied by the 1986 tax rate ceiling for operations as approved by the SAO provides the *gross revenue loss*. From this amount, any recouped revenue due to a higher 1987 tax rate ceiling for operating funds is backed out.

The 1987 tax rate ceiling for operating funds *minus* any 1987 voter approved tax levy increase *minus* the 1986 tax rate ceiling for operating funds yields the penny rate that was recouped through the tax rate ceiling. The recouped penny rate multiplied times the current year's *total* assessed valuation, divided by 100, will provide the amount of revenue dollars recouped.

The gross revenue loss *minus* the recouped revenue dollars provides the amount of lost dollars from the 1986 real property blanket change that were not recovered in the 1986 or 1987 tax rate ceiling for operating funds. This amount may be claimed on line 1c of the **District Tax Reduction Worksheet (Prop C Rollback Worksheet)**.

Calculating Farm Machinery and Livestock Personal Property Loss Recoupment

To determine if the school district is entitled to a recoupment through the Prop C rollback calculation for decreases in farm machinery and livestock/personal property assessed valuation due to blanket personal property changes in 1988, a 1989 penny rate adjustment for agricultural farm machinery and livestock personal property assessed valuation is provided in the historical information on Screen 6 or 6A of the August Core Data Collection Cycle. The penny rate (if applicable for the district) multiplied times the current year's total assessed valuation, divided by 100, provides the amount of revenue dollars to be recouped on line 1c of the **District Tax Reduction Worksheet** (Prop C Rollback Worksheet).

Calculating Real Property Loss Recoupment Due to Reclassification of Property

To determine if the school district is entitled to a recoupment through the Prop C rollback calculation for decreases in real property assessed valuation due to reclassification of commercial property to residential property in 1995, a 1995 penny rate adjustment for real property assessed valuation adjustment is provided in the historical information on Screen 6 or 6A of the August Core Data Collection Cycle. The penny rate (if applicable for the district) multiplied by the current year's total assessed valuation, divided by 100, provides the amount of revenue dollars to be recouped on line 1c of the **District Tax Reduction Worksheet** (Prop C Rollback Worksheet).

Tax Levies

To put tax levies in perspective by order of calculation, the following tax levy terms are listed in order of calculation for the Operating Funds and the Debt Service Fund:

Operating Funds

- 1) State Auditor's Office Operating Funds Ceiling - (GF, TF, CPF)
- 2) Voluntary Rollback in Operating Funds (GF, TF, CPF)
- 3) Unadjusted Levy for Operating Funds (GF, TF, CPF)
- 4) Proposition C rollback for (GF, TF)
- 5) Adjusted Levy for Operating Funds (GF, TF, CPF)

Debt Service Fund

- 1) Debt Service Fund Maximum
- 2) Voluntary Rollback in Debt Service Fund
- 3) Unadjusted Levy for Debt Service Fund
- 4) Adjusted Levy for Debt Service Fund
(*Unadjusted and Adjusted Debt Service Fund levies are the same.*)

These levies are calculated by the school district and are to be established annually prior to September 1. In the following spring, the SAO reviews the levies set by districts and may revise the SAO Operating ceilings for that fiscal year based on calculated revenues from state assessed railroad and utilities (SARRU) using the actual levies for the fiscal year. These revised SAO ceilings for the fiscal year only impact the setting of the *next fiscal year's ceilings* and should *not* be used by a school district to go back and change all of its records and filings regarding its SAO Operating Ceiling for the current fiscal year.

Operating Funds (General (Incidental), Special Revenue (Teachers), and Capital Projects)

SAO Ceiling

Less any Voluntary Rollback

Unadjusted Tax Levy

Less any Proposition C Rollback

Adjusted Tax Levy

(Must interrupt rollback at \$2.75.)

Debt Service Fund

SAO Ceiling

Less any Voluntary Rollback

Unadjusted and Adjusted Tax Levy

(Unadjusted and Adjusted Debt Service levies are always the same.)

Basic Formula - Line 1 Calculated Levy

Due to reassessment, the Basic Formula calculation may include a calculated levy on Line 1. It is computed as follows:

| | | | | |
|---|---|---|---|--|
| Tax Rate Reduction due to reassessment* | X | [1 - (district AV of previous year / current year payment EP / GTB of current payment year) X income factor not to exceed 1.00] | = | Amount to add to actual adjusted General (Incidental) & Special Revenue (Teachers) Funds tax rate (add-on) |
|---|---|---|---|--|

- * This reduction will be the lesser of the tax rate ceiling reduction or the reduction in the sum of the General (Incidental), Special Revenue (Teachers), and Capital Projects Fund adjusted tax rates. If a district votes an increase in a year of reassessment, the tax rate ceiling reduction will be used to compute the adjustment.

The add-on to the adjusted tax rate calculated in a previous reassessment year remains in place until the district decreases its tax rate from the previous year amount due to an increased amount of a voluntary tax rate rollback (Senate Bill 353). If this occurs a district will lose its add-on for that year, but may be eligible to regain it in subsequent years if the district increases its tax rate to the previous year amount.

Tax Rate Hearing (Section 67.110, RSMo)

The board of education of a school district must hold ***at least one public tax rate hearing*** as required by Section 67.110, RSMo, on the proposed tax rates before fixing the ad valorem property tax rates for the school. The board of education determines the time and place for such hearing.

The notice shall be published in at least one newspaper qualified under the laws of Missouri of general circulation in the county within which all or the largest portion of the school district is situated, OR such notice shall be posted in at least three public places within the school district at least seven (7) days prior to the date of the hearing. However, in any county of the first class having a charter form of government, such notice may be published in a newspaper of general circulation within the school district even though such newspaper is not qualified under the laws of Missouri for other legal notices.

In addition to stating the hour, date, and place of the hearing the ***notice shall include***:

- the assessed valuation by category of real, personal, and other tangible property in the school district for the fiscal year for which the tax is to be levied
- the assessed valuation by category of real, personal, and other tangible property in the school district for the preceding taxable year
- for each rate to be levied the amount of revenue required to be provided from the property tax as set forth in the annual budget adopted
- the tax rates proposed to be set for the various purposes of taxation.

Prior to the hearing, the budget officer for the district (usually the superintendent) shall present to the board of education of the school district the following information for each tax rate to be levied:

- the assessed valuation by category of real, personal, and other tangible property in the school district as entered on the tax book for the fiscal year for which the tax is to be levied
- the assessed valuation by category of real, personal, and other tangible property in the school district for the preceding taxable year
- the amount of revenue required to be provided from the property tax as set forth in the annual budget adopted
- the tax rate proposed to be set.

Following the hearing, the board of education of the school district shall fix the rates of taxation to be extended onto the tax book.

(Should any school district whose taxes are collected by the county collector of revenue fail to fix its ad valorem property tax rate by September 1, then no tax rate other than the rate, if any, necessary to pay the interest and principal on any outstanding bonds shall be certified for that year.)

| Election Dates For Tax Increases | | | |
|--|---|--|-------------------|
| August Primary in Even Years November General in Even Years | | | |
| Tax Proposal | Election Dates | Required Percentage | Citation |
| Waiver of Prop C | February April June August November | Simple Majority | 164.013 RSMo |
| Ceiling Increase | February April June August November | Simple Majority (66 2/3% for ceiling increases above \$6.00) | Article X, 11(c) |
| Bond Issue | February April June August November | 66 2/3% 57.14% 66 2/3% 66 2/3% in odd years 57.14% in even years 66 2/3% in odd years 57.14% in even years | Article VI, 26(b) |

This page is reserved for future use.